

IRS News Release

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IRS Certifies 2006 Toyota Prius Hybrid Vehicle for 2005 Deduction

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WASHINGTON — The Internal Revenue Service has certified the model year 2006 Toyota Prius Hybrid for the clean fuel vehicle deduction. This certification means that taxpayers who purchased a 2006 Toyota Prius new during calendar year 2005 may claim a tax deduction of up to \$2,000 on line 36 of Form 1040.

The agency stresses that the \$2,000 deduction is for tax years 2005 and earlier. Starting in 2006 the deduction is replaced with a credit, which will require a different certification. The tax credit for hybrid vehicles applies to vehicles purchased on or after January 1, 2006, and may be as much as \$3,400 for those who purchase the most fuel-efficient vehicles.

For taxpayers filing their 2005 tax returns, however, the **deduction** must be taken in the year the vehicle was originally used and the taxpayer must be the original owner. Since this benefit can be taken as an adjustment to income on Form 1040, individuals do not have to itemize deductions to claim this deduction.